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Department of State and Foreign Service

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DEPARTMENT OF STATE
INSPECTOR GENERAL
WASHINGTON, D.C. 20520

April 29, 1983

The Honorable
George P. Shultz
Secretary of State
Washington, D.C.

Dear Mr. Secretary:

Pursuant to Section 209(d)(2) of the Foreign Service Act of 1980, I respectfully submit this Annual Report on activities and findings of the Inspector General for calendar year 1982. Highlights are contained in the Overview and Executive Summary which begins on Page iii.

The Act requires that, within 30 days after its receipt, you transmit copies of this report to the Committee on Foreign Relations of the Senate, the Committee on Foreign Affairs of the House of Representatives, and to other appropriate committees of the Congress and that, in so doing, you provide any comments you deem appropriate.

Sincerely yours,

Robert L. Brown

B

ANNUAL REPORT OF THE INSPECTOR GENERAL

DEPARTMENT OF STATE AND FOREIGN SERVICE

1982

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OVERVIEW AND EXECUTIVE SUMMARY

This Annual Report, the third of a series, summarizes progress made in calendar year 1982 under the recently expanded statutory mandate for Inspector General activities in the Department of State and the Foreign Service.

Changes of Departmental leadership in 1982 did not affect continuity of inspections, audits, and investigations or of actions taken pursuant to these activities. The new management leadership shares our interest in inducing top grade performance and efficiency throughout the Department's worldwide establishment. As they responded to inspectors' evaluations, managers at all levels have shown their agreement with our emphasis on prevention and control as the most productive approach to curbing wasteful practices and to dealing with abuses of the system.

While we reported our current findings during the course of the year, Departmental and Foreign Service managers were making progress in addressing systemic problems identified and raised by inspectors and summarized in my previous annual reports. For example, we have observed stronger program management of assistance to refugees; innovative general management of statutory consular responsibilities, including countermeasures to deal with attempts to circumvent U.S. immigration law; firmer assignment and training actions to improve the qualifications of administrative personnel sent to difficult posts abroad; a more rational basic approach, now being tested, to acquiring administrative support services at posts; and progress toward more effective use of automation for financial management and controls. On these and other matters we monitored progress while new inspections and audits disclosed related areas most in need of improvement or assistance. In my opinion, this interaction between inspectors and line managers at various levels has been positive and constructive. In addition, my advisory participation in some of the Department's management committees has given me opportunities to bring to bear the independent judgments of inspectors on resource management issues.

In 1982, inspection teams examined areas we believed would be most useful and timely, bearing in mind our obligation to cover every post, bureau, and other operating unit at least every five years. Inspectors completed their recent coverage in Africa, where they found continuing problems in post administrative capabilities. Inspection teams were also sent to a broad variety of diplomatic missions in Asia and Latin America, some of which operate in highly charged circumstances. We evaluated the work of three Departmental bureaus which play

key roles in the formulation and implementation of policies determined at top levels. In the course of these activities at home and abroad, inspectors found a number of specific areas where policy processes could be improved. They made procedural recommendations aimed at filling gaps in the definition of policy in certain instances, at improving the operational flow of policy related information, and at other means for maximizing professional performance in the pursuit of established policy goals. Some inspection teams commented on the Goals, Objectives, and Resource Implications (GORI) procedure instituted in mid-1982. While they found it helpful for some purposes, they considered it unlikely to redress a number of situations in which they found needs for periodic reassessment of objectives and lines of action in the conduct of bilateral relations. Several teams in the field reported problems resulting from realignment of resources by the Foreign Commercial Service; these are being addressed by management consultation with the Department of Commerce.

We shifted the focus of some of our audits into areas not covered in depth in the past few years. For example, a management audit reviewed the conduct of congressional relations throughout the Department, recommending ways to strengthen coordination between the Assistant Secretary for Congressional Relations and the Departmental bureaus and operating units. Another management audit, addressing the Foreign Buildings program, found important needs for improvement in management information systems and concentrated its detailed recommendations in this area. An automated real estate management information system which the Department is building into its prospective new financial management system should help the Office of Foreign Buildings achieve improved control, as recommended. We completed a series of management audits of worldwide systems for official message traffic administered by the Department's Office of Communications. In this area, inspectors found a need for the Department to strengthen its management of mail and pouch operations and to control the growth of some unnecessary costs. As part of a continuing review of the Department's international narcotics control assistance program, a management audit evaluated methods used by the responsible bureau and by units in the field to administer grants and contracts and to monitor end uses of commodities. Other areas covered by audit activity in 1982 are summarized in more detail in Subsection II A below.

Investigations undertaken at my direction increased in number. This increase reflected wider involvement of employees of the Department and members of the Foreign Service in helping maintain integrity and efficiency. In 1982, five convictions resulted from Inspector General investigations, and various

other disciplinary actions were taken. Almost all the offenses occurred in administrative and consular operations which we had previously identified as vulnerable. Details may be found in Section III of this report. Under our cooperative arrangement of 1981 with the Department's Office of Security, investigative work was carried out primarily by members of that office, with the Assistant Inspector General for Investigations performing mainly functions of management control and review. While we have had some difficulty investigating allegations as fully and promptly as I would prefer, we have achieved a more rapid rate of closing cases out.

We have stressed prevention and safeguards in carrying out all three of our statutory functions. As chairman of the Department's Committee on Waste, Fraud, and Mismanagement, I have sought to propagate the concept of prevention in practical terms. We have maintained a flow of preventive guidance to the field and to Departmental managers. Even in areas where automation has not yet been introduced, the Department and the Foreign Service have many soundly designed, servicewide control systems in place. Unfortunately, these systems are not always well maintained, particularly as personnel move from one assignment to another. This conclusion is all too evident from the details of current inspection and audit findings. Inspectors' corrective recommendations result in good records of compliance in the short run. For the longer run, however, all concerned need to do more by way of constant preventive maintenance.

Cost savings, cost avoidance, and improved use of program resources are major objectives of Inspector General activities. The largest proportion of inspectors' achievements in this area can neither be quantified nor assessed separately from line managers' achievements. Results take the form of more effective, sometimes leaner posts, organizations, or units working in better coordination. Some instances of mismanagement are curbed before they grow to larger proportions. Some recommended actions take years to produce full, recurring benefits.

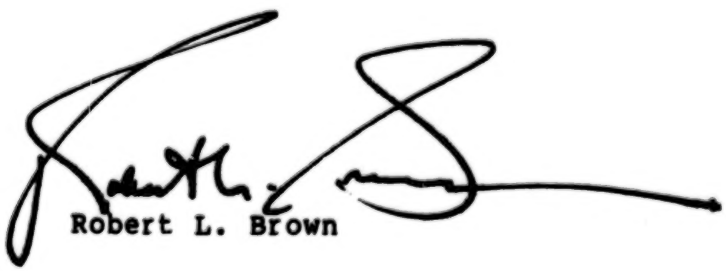
The Department of State was not the only beneficiary of economies resulting from Inspector General activities. Our audits brought savings and improved use of resources in international programs that receive continuing support from appropriations made to the Department of State. Other benefits are accruing to the U.S. Treasury in the form of interest savings.

Benefits worth up to $10 million could result from actions with quantifiable consequences recommended by inspectors in

1982, if fully implemented. Specific examples are set forth in this report under appropriate headings.

Resources for Inspector General activities were just sufficient in 1982 to carry out the program described in this report. We should, however, be providing some additional coverage and conducting some reviews in greater depth. Three more positions are becoming available in Fiscal Year 1983, and we are seeking more in the Department's budget presentation for Fiscal Year 1984. We are recruiting more actively to fill our existing complement with well qualified personnel. With additional resources, we plan to increase our capability to react quickly to new situations, to accomplish more coverage, to add some in-house investigative capability, and to strengthen our compliance and followup systems. We hope to initiate use of automation to improve tracking and analysis of actions recommended by inspectors and to increase our own efficiency in other ways. This will require an additional dimension in our training program for inspectors.

We have continued to participate in the President's Council on Integrity and Efficiency and to cooperate with inspection, audit, and law enforcement activities of other departments and agencies. I believe our organization is making the right kind of contributions in this larger field, mainly through activities properly suited to the Department of State and the Foreign Service.



Robert L. Brown

ANNUAL REPORT OF THE INSPECTOR GENERAL
DEPARTMENT OF STATE AND FOREIGN SERVICE

1982

I. OFFICE OF THE INSPECTOR GENERAL: ORGANIZATION, RESOURCES, AND METHODS

The Inspector General's mandate, set forth in Section 209 of the Foreign Service Act of 1980, was described in the Annual Report for 1980, the first of this series. Purposes, scope, background, and evolution of inspection, audit, and investigation functions in the Department of State were summarized in Section I of that report. The new statutory authority of the Inspector General of the Department of State and the Foreign Service has been in effect since July 1981.

Direction and Emphasis of Program

With reorganization of functional management structure accomplished the previous year and with new Departmental regulations on Inspector General functions promulgated pursuant to Section 209 of the Act, leadership in the Office of the Inspector General concentrated in 1982 on implementation of program objectives.

The program has given increasingly strong emphasis to prevention in addressing problems of waste, fraud, or mismanagement. At least 20 percent of staff time in the organization was devoted in 1982 to prevention-related activities. These have included the following:

- Watching for systemic weaknesses revealed by current inspection and audit reports; bringing problems, patterns of weakness, and suggested remedies to the attention of Departmental managers by various means; and scheduling consequent audits, inspections, or followup reviews to cover appropriate areas.

- Monitoring, reviewing, and counseling on Departmental measures to strengthen internal controls. These measures have included vulnerability assessments and the planning of new control systems. For example, the Assistant Inspector General for Audits has been engaged in making sure that the Department's prospective new financial management system will be readily subject to audit.

- Stimulating or providing written guidance to Departmental offices and to the 252 Foreign Service posts abroad. Some messages were issued by senior Departmental management, others by the Inspector General. As chairman of the Department's Committee on Waste, Fraud, and Mismanagement, the Inspector General has been in a position to ensure consistency of content.

- Sensitizing and alerting all personnel to the issues of integrity and efficiency, for example by published articles, wall posters, and plans for establishing an Inspector General award.

- Briefing of newly appointed Ambassadors and other senior managers by the Inspector General. The Office also provides materials that managers can use to inspect their own operations.

- Playing a more active role in the Foreign Service Institute's administrative management training program.

Essentially preventive activities have also been emphasized in carrying out the Inspector General's three main functions:

- In the course of inspections, for example, inspectors provided extensive counseling directly to managers and other personnel of operations under review. This process was utilized to point out areas of vulnerability and give on-the-spot advice on proper administration of controls. Recommendations in inspection reports addressed specific weaknesses.

- Audit activity of all types took essentially the same approach.

- Investigative work, though necessarily corrective in nature, has also been utilized to provide conclusions and recommendations for purposes of prevention. Pertinent procedures are described in Section III A below.

Subject to the statutory requirement to provide universal coverage within a 5-year limit, the Inspector General and his staff have sought to schedule inspections and audits where they would be most cost effective. In 1982, for example:

- Some inspection teams were sent to turbulent and difficult regions where U.S. program activity was susceptible to fast breaking needs for adjustment of the use of resources.

- Organizationally oriented inspections were given large degrees of functional content, as governed by each inspection team's work plan.

Measures were also taken to enhance cost effectiveness of inspection and audit operations. For example, more intensive efforts have been made to ensure succinct presentation of findings and timely issuance of reports, making best use of the Department's recently standardized word processing equipment.

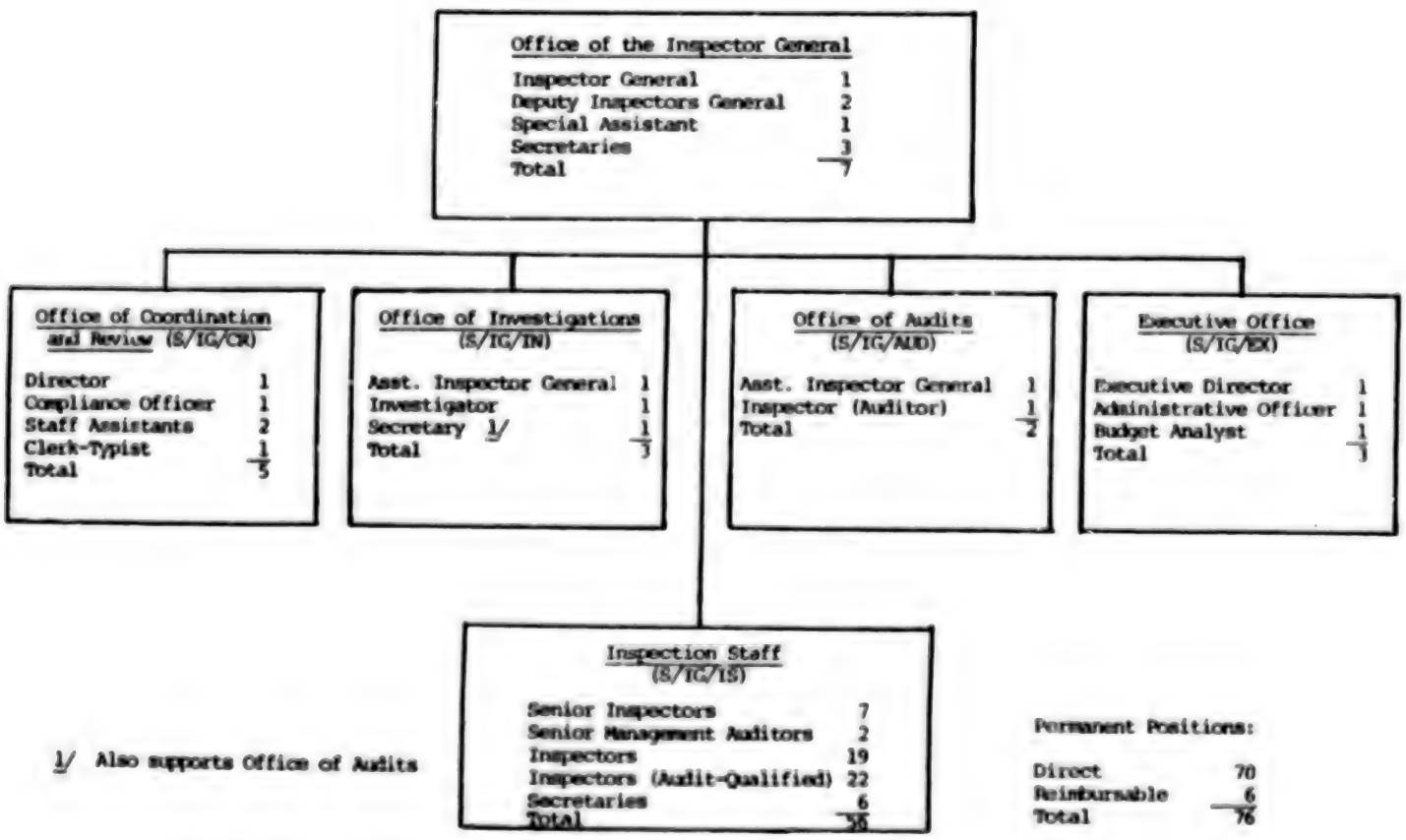
In all its activities, the Office of the Inspector General has sought to achieve results through cooperative interaction with Departmental and Foreign Service management. This relationship, independent but mutually reinforcing at various levels, has continued through 1982. The Inspector General played formal advisory roles in the Department's management structure, for example on resource allocation issues in the Department's Priorities Policy Group. A strongly shared interest in prevention was worked out by a variety of methods. Further specifics on this interactive relationship, as it developed in 1982, are set forth in Subsection II D below.

Resources

No change occurred in 1982 in the authorized personnel complement of the Office of the Inspector General. A management decision in 1982 resulted in loss of one position. This action was implemented in 1983 when four additional positions that were assured pursuant to FY 1983 budget decisions were reduced to three. The chart on page 4 shows the actual authorized complement during the calendar year (76 positions). Due to continued difficulty in filling all positions with fully qualified personnel (eight positions were vacant at year's end), the Office has engaged in more active recruitment efforts. To mitigate the effects of being understrength and to meet special needs, the Office utilized the part-time services of experienced former inspectors for a total full-time equivalent of 1.61 workyears. To provide necessary technical expertise for a series of management audits, the Office also contracted for consulting services of one telecommunications network program evaluator and of one mail management expert.

OFFICE OF THE INSPECTOR GENERAL (S/IG)

ORGANIZATION CHART



1/ Also supports Office of Audits

Permanent Positions:

Direct	70
Reimbursable	6
Total	76

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The Inspector General's program budget for FY 1983 (as estimated at midpoint) amounts to $4,523,000, including salary and travel costs. This estimate represents an increase of about 8 percent above actual expenditures in FY 1982.

Methods

Some new methods were explored during the year for achieving program goals, and some established methods were refined or intensified.

To improve its analytic capabilities in the future and to strengthen its compliance and followup system, the Office has begun to explore applications of automated data processing. Goals would be to apply such processing to inspectors' recommendations and to data from inspections, audits, and investigations.

The Office has given continuing and close attention to its procedure for tracking compliance with inspectors' recommendations and for determining their resolution. For example, there has been more insistence on evidence of implementing actions, especially when these involve safeguards against wasteful or abusive practices. Six formal Compliance Followup Reviews were carried out, as well as numerous informal inquiries beyond the basic compliance procedure. Particular attention was given to recommended actions involving cost or resource savings. Results are set forth in statistical form in Subsection II E 1 below. They show a generally satisfactory outcome, with little statistical change from 1981.

The Office continued to expand its training program, tailored to meet the individual needs of inspectors as they join the organization with diverse professional backgrounds. For new inspectors selected for their experience in the Foreign Service, it has established a basic curriculum that includes an introduction to automated information systems, seminars on audit and investigation methodology, and training in interviewing skills. For inspectors previously qualified as professional auditors, individual training programs have included courses on computer auditing and controls, on detecting computer abuse, on the auditor's role in information systems design and development, on Department of State computer applications, and a series of self-study modules on Foreign Service administrative procedures.

Review by General Accounting Office

In March 1982, a team from the General Accounting Office commenced a review of Inspector General activities in the

Department of State. The team was charged with determining any significant differences between the Inspector General's statutory mandate in Section 209 of the Foreign Service Act of 1980 and provisions of the Inspector General Act of 1978, and with assessing the effect of such differences upon Inspector General activities. The team was also to assess qualifications of inspectors and adherence to federal inspection and audit standards. Findings have not yet been made available to the Inspector General.

II. FINDINGS AND RESULTS IN 1982

A. Areas Examined

Conduct of Relations Inspections covered 17 missions in sub-Saharan Africa, four missions in North Africa, six in East Asia, two in South Asia, eight in the Middle East, and seven in Latin America. Compliance Followup Reviews were carried out at two missions in Europe and at one in Africa. Inspections conducted in the Department of State covered the responsibilities of three major policy oriented bureaus, two of them organized by region and one along functional lines.

Management Audits included an evaluation of the Department's Congressional relations function; an assessment of systematic management information needs in the Department's worldwide Foreign Buildings program; a review of grant and contract administration and end-use monitoring in the International Narcotics Control Assistance program administered by the Department; three functional evaluations of activities of the Office of Communications, completing a series of four on the Department's global systems for official message traffic; an assessment of assistance administered by the Department's Office of Overseas Schools; a review of U.S. Government financial support appropriated to the Department for The Asia Foundation; and an evaluation of the Department's alternate career planning program. Three Compliance Followup Reviews were performed pursuant to two previous management audits of refugee assistance programs and to another concerning central personnel management functions.

Other significant audits covered overtime control procedures and practices in the Department;construction project management and contract administration at the new U.S. Embassy complex at Moscow; operations of the Department's Washington Finance Center and of the Regional Administrative Management Center in Mexico. A financial management audit was made of the Department's Working Capital Fund. Additional audit activities, such as contract audits and special inquiries, were continued.

A listing of all audit reports completed by the Inspector General in 1982 or shortly after the turn of the year is attached as the Appendix to this report.

> In the ensuing summaries of significant findings and recommendations by inspectors, brief comments indicate consequent actions reported by managers. With respect to recommendations for corrective action, comment is summarized in brackets. Absence of bracketed comment indicates that (1)

recommendations were made at the end of 1982 and compliance reports were not yet due; or (2) the Inspector General had not yet accepted responses to recommendations, pending further clarification; or (3) in complex or changing circumstances, immediate responses could not be characterized summarily. Significant previous recommendations on which corrective action has not yet been completed are discussed in Subsection E 3 below.

B. Management of Missions and Programs Abroad

1. Achievement of Policy Goals and Representation of U.S. Interests

In the three Departmental bureaus reviewed, inspectors made procedural recommendations for improving policy related exchanges of information and views as well as policy guidance. They identified some areas where uneven or insufficient attention to development of policy was linked to under-utilization of professional personnel. They also addressed areas where policy formulation processes could be strengthened.

Inspections of the conduct of relations generally found U.S. diplomatic missions pursuing policy goals and representing U.S. interests accurately and effectively, even in cases where formal definitions of policy governing bilateral relations were insufficient or outdated. In cases where inspectors identified gaps of this nature, they recommended suitable procedures.

Mainly in connection with their findings at missions under review, inspectors evaluated the utility of the Goals, Objectives, and Resource Implications (GORI) procedure established by the Department in mid-1982 after two years of gradual discontinuation of the previous institutionalized procedure. Generally, they found the GORI procedure helpful, though insufficient as a framework for conduct of bilateral relations in many situations because of its regional orientation. Their judgments were based on needs they observed in particular cases for periodic reassessments of policy objectives, of related lines of action, and of requirements for program resources. Three teams commented separately on the desirability of reinstating regular annual bilateral policy assessments by chiefs of mission that would be confirmed by interagency responses led by the Department of State. One team recommended that a regional bureau establish its own minimum criteria for annual preparation of statements of bilateral goals and objectives, in the absence of a Departmental standard.

In two cases, inspectors found expressions of U.S. policy

apparently out of line with prospective commitments of resources to bilateral relations. They foresaw risks of excessive expectations in the host countries leading to setbacks for U.S. interests. Though the respective regional bureaus were well aware of these situations, the inspectors recommended prompt and more definitive interagency policy reviews to reconcile policy goals with assurance of funded program activity. [In both instances, the regional bureaus concerned undertook intra-Departmental policy reviews, with the respective chiefs of mission involved. These reviews were stated to have resolved the most acute issues. In one case, the internal review concluded that a formal interagency review was not necessary since previous decisions by the Senior Interdepartmental Group were being implemented.]

With respect to another country where bilateral economic assistance is a major instrument of U.S. regional policy, inspectors noted perceptions of conflicting views among U.S. Government agencies in Washington on purposes and terms of program activity. The inspectors recommended prompt resolution of the issues at high levels. [The inspectors' consultations in the course of the review helped to expedite an informal policy review that has resulted in improved interagency understandings.] The inspectors also recommended that the U.S. mission intensify its efforts to improve public understanding in the host country of this economic aid program. [The mission has done so, with the U.S. Information Service in the leading role.]

In a country where the internal situation had radically changed, the U.S. ambassador had submitted his mission's reassessment of U.S. policy objectives in the circumstances, with proposals for courses of action and related resource allocations. The inspectors found the Department's responses to be insufficient and recommended a formal interagency policy review. [The regional bureau initiated such a review.]

At a major mission in the same region, the inspectors found no formal response from Washington to extensive ideas and proposals for the conduct of bilateral relations submitted by the chief of mission. While he was assuming basic concurrence by the Department, the inspectors saw a need for improved dialogue and recommended a fuller response by the Department. [The regional bureau responded in a series of messages. Some of the ambassador's proposals were implemented, some were subjected to further exchanges of messages, and others were overtaken by events.]

At posts in a region beset by frequent crises, inspectors identified a need for more explicit and timely regional policy guidance to missions on the periphery where host governments

were deeply concerned. Recent circular messages from the Department took primarily the form of situation reports. The inspectors recommended that the regional bureau improve its system for dissemination of current policy guidance. [During a subsequent lengthy crisis, the bureau introduced refinements in its system, raising the level of policy content.] In another turbulent region on a different continent, inspectors singled out a set of issues on which broader dissemination of U.S. policy aims was needed for missions in the area to explain U.S. policy effectively and contribute more fully to the ongoing process of policy formulation.

With regard to disposal of excess commodities from the U.S. strategic stockpile, inspectors noted disruptive effects of the General Services Administration's sales program on a bilateral foreign relationship. They pointed to an apparent need for improved coordination of Executive Branch management of this program. They recommended that the Department seek approval for a long term sales arrangement that would minimize political liabilities abroad. [While the Department did not agree that the particular case at hand merited prompt corrective action, the responsible bureau stated its intention to consider improved methods for implementing the sales program and to propose them when renewed statutory authority is sought from Congress.]

Deployment and Configuration of Posts Abroad

One important aspect of the representation of U.S. interests abroad is the deployment of diplomatic and consular posts. In conduct of relations inspections performed in 1982, inspectors continued to assess on the spot whether the established pattern was adequately supporting U.S. interests with appropriate economy of resources. The Inspector General secured management attention to inspectors' findings on particular posts by continuing his traditional advisory role in the Department's Committee on Foreign Service Posts.

In one small and recently independent country, inspectors judged in 1982 that existing U.S. representation by a non-resident ambassador and a resident charge d'affaires was not working out well either in terms of representation or of efficient program management. They recommended establishment of a resident chief of mission, with resource cost minimized by abolishing the position of a deputy chief of mission at the other post involved, where the ambassador would no longer be accredited to two countries. Concurrently, the inspectors recommended that U.S. economic aid missions at the two posts be placed under their respective ambassadors, thus resolving observed problems of absentee oversight in the current situation. [The Deputy Secretary of State approved these

proposals, and appointment of a new ambassador was initiated. The regional bureau and the Agency for International Development agreed to the other two steps, to be taken after a new chief of diplomatic mission is established.]

All but one of the constituent posts inspected in 1982 were found essential to represent or serve significant U.S. interests. The exception was a small consulate in an area where a substantial U.S. private sector presence had rapidly dwindled. The inspectors considered that the post's two officer positions could be more effectively utilized in the leanly staffed embassy in the same country. Soon thereafter, however, the trend in American departures reversed. The chief of mission and the regional bureau agreed to monitor the situation, but considered that a decision to close the post would be premature.

In one special situation, inspectors recommended review of the role, tasking, and staffing of an Embassy Branch Office. While they found the office clearly useful to support U.S. interests in the country, they assessed it as understaffed for the tasks it was attempting to accomplish.

In addition to assessing the utility of constituent posts, inspectors also sought to maximize their utilization. They looked into this matter particularly at large missions with several consular posts, where central mission managements sometimes fail to take full advantage of smaller posts' capabilities, particularly for reporting and analysis of events. Whenever they identified factors inhibiting full performance or missionwide coordination, they made corrective recommendations. At two consulates general, for example, they specified actions to improve these posts' limited performance in representational activities and in reporting. In one case, they recommended that the post be provided a full-time administrative officer, since a growing administrative workload resulting from increased U.S. presence in the country was absorbing most of the time of the consul general and of a reporting officer.

2. Significant Problems and Deficiencies; Recommendations for Corrective Action

Each conduct of relations inspection reviewed, both in Washington and in the field, all programs, functions, and activities in which each inspected post was involved. Primary emphasis was placed on programs and functions administered by the Department of State. These functional assessments, made in the context of bilateral and subregional relations, provided the basis for inspectors' evaluations of the implementation of foreign policy, the coordination of U.S. Government activities abroad, and the utilization of public resources. The Office of

the Inspector General has used these evaluations of the conduct of relations to detect systemic weaknesses, to redress or prevent mismanagement, and to reduce opportunities for wasteful or abusive practices. Problems surfaced in this procedure have frequently been followed up by scheduling consequent functional audits, special audits, or investigations.

Problems and deficiencies identified in missions and programs abroad were addressed in various ways, mostly by inspectors' recommendations that particular posts or Departmental offices take specific corrective actions. Only those indicating significant patterns are summarized here, with some illustrative examples. Most of the systemic problems raised by reviews of the conduct of relations in 1982 lay in the management of program activities and in the management of administrative support functions. Problems associated with some of these programs are summarized later in this report (Subsection II C) since related program management functions were also subjected to central management audits or to followup reviews in 1982.

Program Resources for Substantive Reporting

Inspectors examined the general utilization of officers qualified for political and economic reporting and analysis, paying particular attention to the use of positions recently added by the Department to strengthen these functions. For the most part, they found these resources well deployed, effectively utilized, and working in good coordination in the field.

In one region, however, they found the Department's system had been functioning too slowly to meet greatly increased needs for factual and interpretive reporting. Increasing levels of strife in the area had sharpened attention to U.S. interests, and a marked change in U.S. policy had already resulted in substantial increases in U.S. official presence. Nevertheless, the inspectors found an embassy in the area with a political section smaller than it had been five years previously. Neither of the two political affairs officers had sufficient prior experience. Though analyses prepared by the ambassador and the deputy chief of mission were of excellent quality, the post was barely coping with increased demands for human rights investigations. In another country of the region, where economic issues, including agrarian reform, were of special interest to the U.S., the embassy's economic section was headed by an officer with no prior experience in Foreign Service economic work and the economic aid mission had no program economist. There too, deficiencies were somewhat masked by high-quality analytic contributions from post leadership. Despite initiatives from the regional bureau concerned, the

Department's system was just beginning to take corrective action. For this area, comprising six embassies, the inspectors recommended prompt addition of nine positions (political and economic officers and secretarial support) -- somewhat less than what the regional bureau had requested.

On another continent, inspectors found an instance indicating that the Department's system can be slow to reduce reporting resources when circumstances change and a post does not offer or willingly accede to reductions. The inspectors found a large post submitting products that had become partly duplicative of others now available from elsewhere in the area. They recommended that reporting plans and goals for all posts in the area be redefined and better coordinated. [This was done, with interagency concurrence.] They also recommended that the post's political and economic complement be reduced by four positions. [The regional bureau agreed to abolish three and to keep the fourth position under a performance review.]

Consular Functions

In 1982, consular functions were evaluated in the course of each conduct of relations inspection. Central management by the Department's Bureau of Consular Affairs was subjected to a management audit the previous year and results were summarized on pages 30-31 of the annual report for 1981. The bureau has made significant progress in dealing with most of the issues identified in that review.

In the course of their evaluations of field operations in 1982, consular-qualified inspectors identified the following problems and deficiencies as meriting more attention:

- Consular fee collections: With growth in volume of collections, too many junior officers were insufficiently trained to keep funds under effective control. Adherence to prescribed controls was often incomplete, thus increasing the level of vulnerability. Inspectors recommended closer attention to this matter by all consular managers and by those responsible for formal consular training. [The Department updated and reissued its prescribed procedures for handling of fee collections. The Foreign Service Institute has added a segment on this subject to its basic consular training course.]

- Other procedures for controlled items, e.g., equipment for issuing visas, blank passports: Too many cases were observed with insufficient

adherence to procedures, sometimes attributed to difficulty in identifying or finding definitive guidance from the Department.

- Continued lack of updated, codified Departmental regulations on consular operations. [The Bureau of Consular Affairs was working throughout the year on complete revisions of Volumes 7, 8, and 9 of the Foreign Affairs Manual and also on special handbooks.]

- Federal benefits programs, as implemented by posts abroad: Insufficient oversight by post consular management was observed in many cases. Lack of attention was leaving these operations vulnerable to possible malfeasance by employees and to fraud by beneficiaries.

Generally, inspectors found the posts they covered were coping well with changing, often growing consular workloads. In 1982, no post was identified by inspectors as needing emergency aid by a consular assistance team (CAT).

Post Administration in Less Developed Countries

From many posts in less developed countries, inspectors continued to report the pattern of administrative deficiencies set forth in some detail in the previous annual report with particular reference to sub-Saharan Africa (pages 11-13) . In 1982, comparable patterns were found at many "hardship" posts in different regions, though not at all of them. Despite common handicaps posed by local environments, the state of post administrative operations was generally found to be directly related to the quality, state of training, experience, and timely assignment of Foreign Service administrative personnel.

Variations in quality of post administration within each region were sometimes striking. In one area, for example, inspectors found two posts suffering acutely from a lack of trained and experienced personnel. For one of these posts, with a newly established joint administrative office (JAO), inspectors recommended an administrative management assistance team (AMAT) to provide emergency help and on-the-spot training. [The Department sent such a team, but the team achieved only limited help, since it could stay only two weeks and a key general services officer was absent from post at the time.] By contrast, another post in the same area, operating in very difficult conditions, showed remarkable improvements since the previous inspection, largely due to highly capable and experienced administrative leadership. At another mission, a

compliance followup review of a 1980 management audit of a JAO showed substantial progress in correcting deficiencies despite two unscheduled changes in administrative leadership.

For the administratively disadvantaged posts they encountered, inspectors continued to call for more effective training and assignment policies as well as for improved Departmental guidance on certain critical administrative issues.

[Corrective actions by the Department, largely the product of management task forces noted in the previous annual report (pages 42-45), included the following:

- A high level management directive that no officer would be permitted to encumber an administrative position abroad without meeting specified requirements for training or field experience. (June 1982)

- Upgrading certain administrative positions to reflect full dimensions of their scope and complexity.

- External hiring to meet some urgent needs for administrative specialists.

- Promulgation of comprehensive general principles for security of U.S. Government personnel abroad. (October 1982)

- Improved interim guidances on contracting by posts for local supplies and services, pending establishment of a new system for acquiring services in the longer run. (April 1982)

- Preventive guidance on "slush funds" for post improvements, most commonly generated by loose procedures for disposal of excess U.S. Government property at posts. (February 1982)

- Clearer guidance on payments to foreign landlords for leased property. (November 1982)]

One of the regional bureaus most acutely concerned with the administrative challenges of less developed areas revised its methods for rendering short term support to posts in difficulty. The bureau disbanded its standing mobile administrative assistance team, which inspectors had originally endorsed in concept but later criticized in practice. Inspectors' recommendations to that bureau in 1982 included the following relevant lines of action:

- Upgrade, in the bureau's executive directorate, responsibility for administrative training and personnel functions throughout the region.

- Participate actively in the Foreign Service Institute's administrative training courses.

- Conduct regular regional workshops for Foreign Service National employees in the field.

- Improve long range planning to meet staff requirements of joint administrative offices, in consultation with the Agency for International Development.

[The Bureau has taken numerous actions to implement these recommendations.]

Contracting and Procurement Procedures at Posts

While the Department strengthened and clarified its guidance to posts on contract and procurement procedures, as noted above, inspectors continued to find extensive deviations from standing regulations. Most posts in less developed areas were obliged to deal with situational dilemmas described in some detail on page 13 of the previous annual report. These situations, however, did not justify contracts that allowed for cost-plus-percentage arrangements, for unearned management fees paid to U.S. employee associations with which the posts were contracting for labor services, for excessive growth in numbers of workers covered by contracts, and for other deficiencies in contracts that inspectors found at posts, large and small, around the world. Some examples follow of findings made in 1982:

- One large mission, in effect, was permitting its employee association a $30,000 annual profit from a labor service contract. [The post has recast this contract to eliminate this result and has submitted the contract to the Department for review.]

- Another post, in one of the largest cities in world, was found contracting for labor services with its employee association, at an annual cost of about $800,000, in the generally deficient pattern more commonly found in less developed capitals. The mission had not recently explored alternative arrangements with independent contractors and determined relative costs. The inspectors recommended that it do so.

- One post, in an effort to obligate $107,000 near the end of Fiscal Year 1981, took several improper steps to document intended procurement, defining items broadly and leaving vendor sections blank. The post did not consummate this procurement. No fraudulent intent was found. [Pursuant to inspectors' recommendations, the post deobligated this amount and took precautions to adhere to prescribed procedures in the future.]

Numerous other posts, subjected to inspectors' critiques on their methods for procurement of services, complied with recommendations by rewriting contracts, in some cases reporting prospective reductions in numbers of personnel involved. One post expected to achieve more than the 25 percent reduction in contract workers recommended by inspectors.

Foreign Service National Employees

As the Department made further progress toward more effective central management of the Foreign Service National (FSN) work force at posts abroad, inspectors noted numerous indications that this personnel management program was not sufficiently clear or comprehensive to bolster the morale and performance of FSN employees.

[Progress made by Departmental management in 1981 was summarized on page 48 of the previous annual report. Major activities in 1982 included the following:

- Pilot studies, under way at selected posts, for a more rational system for acquiring administrative support services abroad. Under the Department's proposed approach, approved in 1982 by the Office of Management and Budget, the first clear distinction will be made between functions suitable for direct hire employment and those "commercial type" services that should be obtained by contract. More realistic contract methods are envisaged.

- Collection and analysis of 140 post compensation plans for FSN employees, to ensure conformity with the principle of locally prevailing practice established in Section 408 of the Foreign Service Act of 1980.

- Expansion of a more uniform interagency position classification system.

- Development of more explicit policies on matters such as leave and merit promotion.]

Nevertheless, conduct of relations inspectors encountered numerous instances of discontent and poor morale among FSN employees. Many post managers were concerned about the quality and dedication of newer employees hired to replace those who had recently retired. Apart from causes within the power of post managers to remedy, reasons for employee discontent centered largely on wage and position classification actions directed by the Department. Although many restructurings and downgradings were necessary because of previous lack of discipline, many posts believed--and in many cases inspectors agreed--that recent surveys did not take prevailing local practices and socio-economic factors sufficiently into account. A few inspection teams recommended formal reviews of surveys made at particular posts. Some inspectors saw needs for more rapid development of positive elements in the overall system, such as greater access to training and other means of career enhancement.

In two regions where posts are obliged to rely extensively on third country nationals (TCN's) for services at professional levels, inspectors noted a number of uncertainties and special morale problems. They recommended that the Department provide more ample and specific guidance on employment of TCN's beyond what is set forth in the manual of regulations. [The Department's Office of Foreign Service National Personnel completed a survey of TCN compensation by international corporations. It also initiated discussions in the Interagency Foreign National Personnel Coordinating Committee aimed at formulating a more explicit policy by mid-1983.]

Special morale problems among FSN employees were also noted at certain posts where hostile political conditions made them subject to harassment or intimidation because of their employment by the U.S. Government. These pressures often coincided with severely declining living standards. One inspection team recommended that the Department consider special allowances to compensate FSN employees caught in such situations, to be keyed to identified political and physical risks.

Security of Posts

In view of continuing, sometimes unpredictable threats, inspectors paid close attention to implementation of the Department's security policies and programs abroad. Some of the deficiencies they found were of systemic significance:

- In one vulnerable region, serious problems were

evident in assuring physical security of antiquated embassy office buildings that had suffered long neglect. Preliminary plans exist for replacing these chanceries, but priorities in the Department's capital program for foreign buildings do not yet permit resolution of these problems by new construction. The inspectors recommended specific corrective measures that would improve these posts' security for the interim, but stressed that more rapid acquisition of new chanceries would be the only real solution.

- Incomplete projects to ensure security of public access areas of chancery buildings were still found in 1982, five years after the Secretary of State prescribed minimum security standards for public access areas.

- Excessive holdings of classified documents were found at several posts. One post in a high risk area was holding considerably more than it had reported to the Department. Inspectors estimated that one large mission they reviewed, generally considered to be subject to low levels of threat, would have required 170 hours or more to destroy its holdings. In this case, they recommended expert assistance from the Department to guide the post in reducing its volume. [By the end of the year, most of the posts concerned reported their compliance with inspectors' recommendations to reduce classified holdings to acceptable levels.]

- Lack of uniform practice in the provision of residential guards for mission personnel was noted in one subregion. Inspectors found guidance on this subject to be less than adequate and sometimes not observed. They recommended that the Department issue new regulations on residential security, defining standards and procedures more clearly. [General policy on residential security was reviewed and incorporated in the new principles for personnel security promulgated in October 1982. Further guidance on contracting for guard services is planned when the prospective new basis for contractual services is fully established.]

Inspectors in the field noted activities related to the Department's current security enhancement program. One inspection team questioned the value of certain costly pending

security enhancement construction packages, which in its judgment did not relate to assessed threats in logical fashion. A management audit of the security enhancement program was scheduled for 1983.

Budget and Fiscal Operations of Posts

In reviewing post fiscal operations, inspectors paid special attention to preventive maintenance of prescribed controls. Post managers were advised of vulnerabilities and specific corrective recommendations were made wherever applicable.

At one major mission, inspectors found the budget and fiscal function badly deteriorated. Consequently, many of the mission's regular functions were chronically underfunded, with losses of efficiency. When a radical change occurred in the country's foreign exchange regime, the mission was unable to inform the Department effectively of its operational impact. The embassy did not seek the Department's guidance on maintaining the integrity of fiscal operations in the new situation and failed to guide the constituent posts on this important matter. In addition to their specific recommendations for corrective action, the inspectors prescribed an administrative management assistance team (AMAT) with suitable expertise, along with comprehensive assessment and guidance from the Department. The systemic problem indicated by this case was primarily the Department's management of personnel assignments.

Management audits of regional fiscal centers, which are part of the system as it functions abroad, are summarized in Subsection C 1 below.

Other systemic problems reported during the year and not included under the previous subheadings were primarily matters of chronic difficulty in ensuring that all posts help maintain the effectiveness of management control systems. For example:

- Gaps in worldwide inventory control of posts' official vehicles.

- Weak controls over non-expendable property.

- Unnecessary overtime in communications program units.

3. Recommendations Made for Improved Effectiveness and Efficiency

Conduct of relations inspections continued to include evaluations of the quality and style of leadership and

management at each inspected post and also of the state of communication between posts and Washington. By procedural recommendations and by informal counseling, inspectors sought to help each mission get the best possible performance from its professional resources.

Inspection teams also continued to verify each post's understanding and execution of servicewide management policies. Generally, they found such policies sufficiently understood, with posts responding well to matters currently emphasized by Departmental management. In this pursuit, inspectors did not discover significant violations abroad of Section 105 of the Foreign Service Act of 1980 (merit principles, protections for members of the service, and minority recruitment). Results of investigative work by the Office of the Inspector General in response to allegations of prohibited or abusive personnel practices are summarized in Subsection III C below.

Substantive Reporting Methods

Inspectors continued to assess the general quality of political and economic reporting and analysis submitted to Washington from inspected posts, along with the effectiveness of post and Department country directorates in managing these activities. During the course of the year, the Office of the Inspector General began to introduce more systematic methods for inspectors' evaluations of posts' outputs. These methods included improved techniques for sampling and more extensive documentation of findings.

Generally, inspectors found missions achieving high quality in many key reports and responsive to requirements wherever these were clearly made known from Washington. In many cases, however, they identified ways in which posts could improve their outputs and country directorates could improve their guidance and their channeling of "feedback". Where applicable, inspectors commented on needs for greater timeliness or candor. Many posts still did not fully understand how to use to best effect, in their particular situations, the procedure for annual planning of major analytical output required by the Department since 1979. Accordingly, many of the inspectors' formal recommendations sought to maximize the posts' effectiveness and efficiency in this area through more skillful use of the planning procedure. A few examples follow:

- One large mission was found producing reports of uneven quality, some excessive in length and some with too much emphasis on domestic developments within the host country. Planning was compartmentalized and lacking in guidance to

constituent posts. Inspectors advised the mission on methods to improve its general management of output and recommended a new, comprehensive reporting plan that would provide a more definitive focus on active U.S. foreign policy interests. [The embassy recast its plan, in a process involving all reporting elements including the constituent posts.]

At other missions of varying size, inspectors recommended use of the planning procedure to accomplish different kinds of improvements:

- To improve coordination of a mission's scattered reports, all of which were high in analytic quality.

- To encourage more integrated analyses, at a mission where planning and execution were excellent but compartmentalized.

- To elicit fewer but more analytical products.

- To scale down overly ambitious reporting goals that were overtaxing staff and inhibiting quality.

- To help an embassy engage a constituent post more effectively in reporting by the same kind of planning dialogue that the embassy was successfully conducting with the Department.

At one major mission -- contrary to the more usual case -- inspectors found too much emphasis on a long term analytical approach to reporting at the expense of topics of current interest in Washington. They recommended methods to redress the balance while improving integration of political and economic reporting and making more timely and thorough use of post economic officers for policy related reporting. [Counseling in the course of the inspection was followed by some marked short term improvements noted by end users of reports in the final phase of the inspection, particularly in the economic field.]

Reporting on international labor affairs is commonly guided on a regional basis by full-time labor affairs officers at larger missions. Inspectors looked for ways to improve the effectiveness of these arrangements under changing conditions observed in the field. In one case, they recommended a realignment to take fuller advantage of a regional labor officer's foreign language capability. In another, they recommended relocation of a regional labor function on grounds

that the political and staffing situation at an officer's post of residence did not allow him to do justice to his regional responsibilities.

Consolidation of Post Administrative Operations

At each inspected post with interagency program presences of relevant size, inspectors looked for any duplicative administrative support functions. Where appropriate, they recommended that posts study possibilities for further consolidation of administrative functions provided that changes would be cost effective. They looked for prima facie evidence of such possibilities both at posts where Department of State administrative operations were serving multiple agencies under the Foreign Affairs Administrative Support (FAAS) system and at posts with formally consolidated joint administrative offices (JAO's).

In 1982, inspectors found no posts with large scale or clearly evident opportunities for cost savings through consolidation by methods available to the posts. They did see greater opportunities for consolidation and other efficiencies at posts if agencies in Washington engaged in program activity abroad would do more to standardize their regulations, procedures, and accountability systems for purposes of foreign operations.

At one major mission, inspectors found that some aspects of personnel administration of foreign national employees were conducted separately for employees of the Agency for International Development (AID). They recommended consolidation of this function. The post agreed, subject to transfer of one FSN position in the unit from AID to the Department of State complement. The inspectors also concluded that four units engaged in general services could be combined into two, thus saving two supervisory positions. The post agreed and will implement this change upon the prospective retirement of two unit chiefs.

At three missions with relatively large AID complements, inspectors proposed establishment of JAO's, subject to studies of the cost effectiveness of any operational changes. By the end of the year, no such formal reorganizations were undertaken, but one mission reexamined possibilities for consolidating motor vehicle maintenance and other functions when a prospective new general services facility is acquired.

At certain posts where major changes were occurring in program complements of other agencies, inspectors noted that the burden of growth in consolidated administrative support fell

almost entirely upon the Department of State. They expressed concern for one post's ability to maintain the quality of service it had achieved as administrative workloads increase under the expanding program activity of other agencies.

Performance of existing joint administrative offices was reviewed in the course of conduct of relations inspections, and interested agency offices in Washington were advised of results by debriefings. In 1982, no formal management audits of JAO's were conducted by joint State/AID inspection teams, but such reviews were scheduled for 1983.

Other Approaches to Efficiency

In a country with a long history of U.S. assistance, some of which had generated U.S. owned local currency, the American ambassador was looking toward a period when "near excess" currency conditions would apply. The inspectors endorsed post thinking on the matter and recommended more intensive budget planning at the post for activities and projects financed by excess currency holdings, together with more formal interagency planning among user groups in Washington. By the end of the year, interagency committees were established and functioning in both locations. Their activities should facilitate more realistic planning by all U.S. agencies involved.

In a capital where construction of a new embassy office building is planned by the Office of Foreign Buildings, inspectors called attention to a current opportunity to take advantage of an unusually favorable currency exchange rate for that country by advancing the timetable.

At a large mission with extensive program activity and related in-country travel, inspectors recommended that the embassy institute a travel reimbursement system based on actual cost of lodging, not to exceed the area maximum per diem rate. The post established such rules for in-country travel, effective in mid-1982. Vouchers must now show receipts for lodging expense, and 40 percent of the maximum per diem rate is allowable for other expenses, with the total not to exceed the per diem rate. Savings should be significant, making tight agency travel budgets stretch farther.

4. Programs Administered by Other U.S. Government Agencies

Pursuant to the Inspector General's mandate under Section 209 (g) of the Foreign Service Act of 1980, conduct of relations inspection teams continued to review the general purposes and scope of activities and operations performed by other U.S. Government agencies under the direction, coordination, and

supervision of chiefs of diplomatic missions. They also reviewed the state of interagency relationships under the leadership of chiefs of mission.

In the areas inspected in 1982, inspectors found all programs consonant with foreign policy objectives being pursued by chiefs of mission. Ambassadors were aware of their responsibilities and, in their individual styles, were giving positive direction to appropriate degrees. Without significant exception, all agency elements recognized and respected the chief of mission's authority. Difficulties with respect to staffing issues were relatively few in number, despite changes in the system in Washington for resolving disagreements between ambassadors and parent agencies. In general, missions were found operating as well coordinated interagency country teams.

Some peripheral issues concerning the authority of chiefs of mission remained unresolved. One inspection team noted a case reflecting uncertainties as to the role of chiefs of mission when judging the expansion of regional official functions at their posts -- an issue of long standing. Another team found a different kind of issue in a country where, in the ambassador's judgment, the size of U.S. official presence should be kept reasonable on grounds of bilateral policy. Nevertheless, certain research development activities funded by the Agency for International Development (AID) in cooperation with others had been expanded without consultation with the chief of mission and were attracting many U.S. official visitors. The inspectors recommended that the Department of State establish control in Washington. [The Department's regional bureau approached AID, which needed time to consider differing views on how to exercise control in arm's length cases of this nature involving non-governmental organizations.]

In one special situation where a Defense Attache Office had recently been reestablished, inspectors found difficulties in achieving interagency cooperation and a proper division of work among elements at the post. One cause was an unusually short tour of duty policy (one year) for this post on the part of the parent agency. The inspectors recommended corrective actions by the management of the post and also that reconsideration of the tour of duty policy be sought from the Department of Defense.

Inspectors considered one Military Assistance Group to be too large for the current residual level of program activity. The ambassador's previous initatives to reduce it had resulted only in strained relationships at the post. In a changing situation, there were prospects of markedly increased program workload. In the event that this increase should not materialize, the inspectors recommended that the chief of

mission review the group's staffing again and seek appropriate actions from Washington.

In one particular region, inspectors commented on instances where programs of the United States Information Agency had been reduced to levels where significant opportunities to support foreign policy objectives were being missed as country situations were evolving. Thus, instruments of high potential cost effectiveness were not being utilized.

Foreign Commercial Service

Throughout the areas inspected in 1982, the most problematic interagency relationship found by inspectors in the field was with the Foreign Commercial Service (FCS). Generally, inspectors considered that post managements were trying to provide supportive mission environments for Department of Commerce program activities while respecting their separate identity. Teamwork was generally fully satisfactory at posts where commercial counselors and their staffs were well established, except in one important market where a commercial counselor's operating and management style was a problem. Many posts, however, were going through serious adjustment problems as the Foreign Commercial Service's headquarters in Washington redeployed its limited resources away from deteriorated foreign markets and into more promising areas.

At posts where FCS was dropping the commercial function, adjustment problems appeared to result mainly from a lack of timely consultation and communication of intentions. Some posts perceived they were facing prolonged staffing gaps rather than a loss of function and made extra efforts to maintain the commercial function at reasonable levels with Department of State resources. These efforts had resulted in excessive burdens on post economic sections, reducing their capabilities for liaison, analysis and reporting. Some U.S. ambassadors appealed decisions to shift resources away from host countries on grounds of established U.S. foreign policy concerns which such actions appeared to contradict. These chiefs of mission had not received satisfactory responses or explanations from Washington.

[Since mid-1982, the Department of State has consulted continuously with the Department of Commerce on alignment of FCS and Foreign Service resources, on a worldwide and detailed basis, pursuant to the relevant memorandum of understanding between the two Departments in 1980. By the end of the year, the consultation process, together with prospective increases in resources for FCS, showed some promise of resolving many

resource issues at particular posts and of averting recurrence of this type of problem.]

At posts with established FCS operations, inspectors noted some other systemic problems. Several inspection teams found a lack of certainty as to which agency element should meet certain substantive reporting requirements generated by the Department of Commerce. At two posts, for example, economic sections were preparing required reports on trade outlook and market prospects while commercial sections pursued promotional activities. At one large mission inspectors found duplication in economic and commercial reporting and also duplicative translations of decrees. Several post managements believed that FCS was inadequately providing its commercial counselors with travel and representation funds and other measures of support.

At posts where FCS has not established its own operations, inspectors continued to evaluate performance of smaller scale commercial functions by Foreign Service economic officers and national employees, along with allocation of post resources to these functions. One systemic problem they noted was caused by Department of Commerce requirements for administrative and statistical reporting on commercial support activity, which they found disproportionately burdensome on small posts. [As the result of discussions initiated by the Department of State, the Department of Commerce will try to minimize requirements levied on small posts, consistent with its obligations to report accurately on its programs.] Another problem, noted at non-FCS posts trying to provide a useful volume of commercial support, was that such posts felt a lack of systematic distribution of instructions and informational messages that the Department of Commerce provides to its commercial counselors.

Inspectors evaluating mail and pouch operations in the Department of State found that the Department of Commerce was not reimbursing the Department of State for worldwide unaccompanied pouch service, as other agencies do under the Foreign Affairs Administrative Support system. [Pursuant to inspectors' recommendations, responsible Departmental offices planned to advise the Department of Commerce to budget for such service in Fiscal Year 1984.]

C. Management of Departmental Functions and Activities

1. Significant Problems and Deficiencies; Recommendations for Corrective Action

The following problems were discovered or verified primarily in management audits and inspections performed in 1982 in the Department of State. When necessary for full evaluation, the

management audits included reviews of field operations made at selected posts. Concurrently, conduct of relations inspections frequently produced related findings that illustrated the problems or raised additional dimensions for consideration.

Foreign Buildings Program

A management audit noted substantial and innovative improvements in program management introduced by the Department's Office of Foreign Buildings (FBO) since the previous inspection in 1977. The inspectors concluded, however, that FBO cannot become fully effective and efficient in worldwide real property management until it possesses complete, current, and accurate information on properties included in the program. Accordingly, the audit concentrated on evaluating deficiencies in FBO's management information systems and on recommending pertinent improvements in five functional areas discussed below.

Most generally, the audit recommended that FBO and other offices undertake a sustained process of policy planning to improve determination of program priorities. [FBO concurred and has taken steps toward a more effective multi-year planning strategy to serve as a framework for the FY 1985 program budget.] In this connection, FBO and others should decide upon the information base required. [This recommendation, and many of the inspectors' more specific proposals, will be implemented by development of previous general plans for an automated Real Estate Management System (REMS) in conjunction with the Department's prospective new Financial Management System (FMS). In September 1982, the Department's contract for design of the FMS was amended to provide for a REMS. This action will require at least two years to complete but should, for the first time, enable FBO to make decisions upon an adequate information base.]

In the foreign buildings program budget process, inspectors noted numerous improvements in systems and procedures. They identified areas needing further attention, including the following:

- FBO's priority point system for assessing needs was found to require new understandings on weighting. [FBO concurred and is developing an improved system for the FY 1985 budget process.]

- The audit emphasized the need for more effective ways to protect the integrity of the capital program against diversion of funds to meet emergencies, such as recent cases of destruction by fire and by attack.

With respect to FBO's financial management information, the audit found continuing deficiencies in financial reporting, cost accounting, and ability to analyze post budget and other submissions. In particular, the audit recommended that FBO:

- Establish a formal financial reporting system to provide more effective early warning of excessive or insufficient funding. [Pending full establishment of the REMS system, FBO worked on an interim manual system that was close to completion at the end of the year.]

- Develop, with help from the Office of the Comptroller, a cost accounting system to include detailed costs for each building. [The two offices are working on a revised system to become operational by the end of FY 1985.]

In the field of automated data processing (ADP), the audit noted FBO's interests and achievements. To remedy deficiencies, however, it recommended further work on identification of needs, cost-benefit analysis, and systems documentation. In particular, the inspectors recommended a formal ADP plan to cover at least three years and to cover specified elements. FBO's existing plan, drawn up in 1978, was found no longer relevant. [FBO has initiated preparation of a new plan.]

With regard to FBO's existing real property management systems, the audit emphasized the following:

- Much of the information in FBO's real property books was outdated or inaccurate. The audit recommended systematic corrective procedures to keep data current. [FBO has undertaken a program for continuous verification by its area officers, particularly when they visit posts.]

- A lack of methodology was noted for comparing true costs of government-leased quarters for personnel at posts with use of the more traditional allowance system. [FBO has emphasized complex factors that posts must consider, including security of personnel. It plans to improve its cost comparison methods as it develops the REMS.]

- Outdated or imprecise provisions were found in Departmental regulations that govern actions by posts concerning real property. The audit recommended steps to achieve greater uniformity, equity, and economy in the field by prescribing

more precisely in the manual of regulations how standards promulgated in 1979 should be applied. [FBO has initiated a complete revision of the chapter of the regulations concerning office and residential quarters abroad.]

With respect to building design and construction processes for information and work control, the audit noted progress and innovations by FBO. However, inspectors found extensive needs to improve information gathering for better control of projects under way, particularly with regard to costs. In addition:

- For the design phase of projects, the audit made several recommendations with respect to the architectural review panel and to awards of contracts for architectural and engineering services. Deficiencies in this area were summarized on page 49 of the previous annual report. [FBO has issued codified and updated standard procedures in this area which should facilitate implementation of inspectors' recommendations concerning adherence.]

- For high cost construction sites, the audit recommended more intensive exploration of standardized designs and alternative building techniques. [FBO is pursuing its previous inconclusive evaluations of pre-engineered housing.]

- For interior design, inspectors found FBO acquiring services by contract, despite its in-house capability. The audit recommended review of this practice, restricting contracts to exceptional cases. [FBO has insisted upon its need for flexibility on this matter. In one important project, however, it subsequently negotiated reduction of a contractor's role in interior design, with cost savings of over $300,000.]

Communications Property Control

One of the series of management audits of the Department's worldwide telecommunications systems for official message traffic disclosed that otherwise highly effective program management had failed to fill a significant gap in the Department's property control system. Increasingly valuable items of communications equipment are still not covered by any effective property handling and accountability system, though

they are normally kept abroad in the most secure areas of each post. The audit noted that previous inspectors' recommendations on this matter, notably those made in 1973 and 1976, had been only partially implemented, with results that do not constitute a valid and comprehensive system for handling and accountability.

- The audit recommended measures that the Department's Bureau of Administration and its responsible operating offices should take, in four specific steps, to fill the gap. [The Bureau has stated its intention to give high priority to such a project. By the end of 1982, however, no specific measures had been undertaken.]

Mail, Pouch, and Courier Operations

A management audit found that the Department and its Office of Communications (A/OC) need to do more to meet federal requirements to monitor and review the day-to-day management of mail and to control the growth of costs. The audit recommended that the Bureau of Administration create a separate mail management analysis function above the operational level. [The Office of Communications is building this responsibility into its newly established management echelon immediately above the operational divisions.]

The audit confirmed only partial compliance with previous inspectors' recommendations, made and accepted in 1977, with regard to mail and pouch operations. Safeguards and other procedures important for control had not been maintained, and other signs of need for closer management attention were found. The audit recommended a comprehensive review of the Department's internal mail and messenger service, including over 40 message centers. [Proposals on messenger service were considered within the Bureau of Administration, including the possibility of acquiring messenger service by contract, but no comprehensive analysis was undertaken by the end of the year.]

- Departmental regulations in this area were found basically 20 years out of date. Inspectors recommended a complete overhaul. [A/OC agreed and has set a target date of September 1983 for completion.]

- No recent efforts had been made to train employees throughout the Department in economical mail procedures. For example, the inspectors estimated that the Department could save $100,000 annually by eliminating unnecessary domestic use of

registered mail. The audit recommended a mail user training program. [A new Departmental notice has reminded all employees of proper mail methods, emphasizing cost benefits attainable through correct usage. Direct approaches to other agencies have resulted in diversion from the overseas pouch system, directly to the military postal systems, of weights averaging 50,000 pounds per year.]

- The audit found that, contrary to previous inspectors' recommendations, the Diplomatic Pouch and Mail Division (OC/P) had acquired additional costly letter sorting equipment without feasibility studies. In addition, OC/P had not reported to the Department's procurement office (OPR/STP) needs for holding an equipment contractor to his commitments. The audit recommended corrective safeguards and disposal of useless equipment, previously recommended but delayed for over five years.

- The forwarding/locator capability of a modern letter sorter was not being utilized, though it could reduce the volume of mail handled by 10 to 20 percent. [OC/P has resumed name extract operations, but feels a need for more cooperation by other agencies.]

Assessing the Department's worldwide courier system for accompanied diplomatic pouches containing classified material, the audit concentrated on personnel management problems. The inspectors recommended that this service be restructured, in a manner that would eliminate its long-standing pattern of leadership by rotation. [The Department's Office of Position and Pay Management has completed a revised grade structure for OC/P in its entirety, including courier personnel. At the end of 1982, decisions remained under consideration.]

Regional Administrative Management Center - Mexico

A management audit reviewed all functions of the Regional Administrative Management Center (RAMC) in Mexico, one of three automated centers maintained by the Department to centralize accounting, disbursement, and payroll services on a broad regional basis. A similar audit of the RAMC at Bangkok had been performed in 1981 (see pages 34-35 of previous annual report).

The audit found RAMC Mexico to be a weak link in the Department's global system in its present stage of transition.

Largely as the result of a decision made in 1977 to limit the number of its client posts, RAMC Mexico was not cost effective, particularly as compared with RAMC Bangkok. The audit concluded that workload currently assigned to RAMC Mexico does not justify the annual cost of its operations ($1.2 million). The inspectors commented on possible future roles for this center and its facilities under the Department's prospective new financial management system.

Addressing current operational deficiencies, the audit cited inexperienced and inadequately trained staff. Three of the RAMC's four branch chiefs were found underqualified for their responsibilities. One result had been a contract for computer support, costing $100,000 per year. This contract would not have been necessary if the responsible branch chief had been qualified. The audit recommended more careful attention to experience and training in assigning personnel to the RAMC and also an on-the-job training program to be conducted by the center for three of its branch chiefs.

The audit found insufficient interaction between the RAMC and the posts to which it provides services. Only one post budget and fiscal officer had ever visited this RAMC since it began operations. The inspectors recommended annual workshops and briefings at the RAMC for budget and fiscal officers en route to posts.

In the previous review of RAMC Bangkok, inspectors had recommended that contingency plans be established for all three centers for the event that regional emergencies might impede or prevent operations. One year later, no such plans had been prepared for RAMC Mexico's functions.

2. Other Problems in Functional and Program Management

Other audits and inspections revealed problems and deficiencies of generally lesser significance in the context of overall performance.

Washington Finance Center

For example, another major element of the Department's system for accounting, disbursement, and payroll was found providing useful and accurate services and reports, with deficiencies more easily subject to correction. The Washington Finance Center(WFC), established many years earlier than RAMC Mexico, currently provides full services in this field to eleven posts in the Caribbean and partial services to 27 other posts in Latin America.

Problems and deficiencies were due mainly to insufficient coordination among elements of the WPC system. They included late reports and deliveries of payroll checks; insufficient internal control over payroll; failure to identify certain errors; and excessive recourse by posts to emergency finance procedures, sometimes to overcome processing delays of their own making.

Corrective recommendations by the audit included the following: Regular training sessions by WPC for participating post personnel; recasting of WPC job descriptions to stress coordination and liaison functions; requirements that posts using the Washington Disbursement Office reconcile their disbursement vouchers to Treasury records; closer guidance and reporting requirements to limit emergency funding to bona fide needs; and improvements in procedures for regular internal audits of employees' payroll accounts.

International Narcotics Control Assistance Program

A management audit reviewed grant and contract administration and end-use monitoring activities in this program, which is administered by the Department's Bureau for International Narcotic Matters (INM) and by narcotics assistance units in five U.S. embassies abroad.

The audit pointed to opportunities to make increased use of grant administration to induce greater efficiencies in narcotics control programs of recipient countries. It raised issues concerning methods for inducing host countries to repair and make more appropriate use of equipment, such as aircraft, in their programs or to dispose of it and make the proceeds available for higher priority program needs.

Noting that INM had strengthened grant and contract administration since the previous review of the program, the audit concentrated on additional areas for improvement, identified mainly by noting operational deficiencies at field units and opportunities for resource savings.

- To guide post contracting officers using delegated authority, the audit recommended more formal training, written standards and procedures, and internal instructions. [INM and the Department's procurement office have not agreed in detail to all specifics recommended, but have initiated standardized formats for contracts and contract administration for purposes of this program.]

- The audit recommended discontinuance of revolving

funds that had been used in Mexico and Colombia to accomplish program objectives expeditiously. It also recommended instructions to field units to make smaller, more frequent cash advances to grantees. Consequent interest savings to the U.S. Treasury could amount to $200,000 annually. [INM had previously addressed the revolving fund issue in Mexico and has been planning to convert to a more direct payment procedure. The bureau saw a continuing need for the fund in Colombia, but it has been substantially reduced. INM has issued instructions to reduce cash advances to grantees.]

- The audit recommended measures to obtain reimbursement for disallowed expenditures from the government of a cooperating country, and to close out accounts no longer used in the program. These measures could make available up to $260,000 to replenish U.S. program resources.

To strengthen end-use monitoring of U.S. assistance, the audit recommended that INM extend its scope into specified areas. Inspectors also found that some end-use reports by field units were not based on actual observation, though such observation was implied. In fact, one participating country permits no inspections in the field. The audit recommended that the bureau instruct its units to state whether each judgment is based on actual observation or on other methods. [INM has clarified its instructions on this matter.]

Foreign Buildings Program: Field Operations

A management audit evaluated project management and contract administration concerning construction of the new embassy complex at Moscow -- the largest project ever undertaken by the Department's Office of Foreign Buildings (FBO). The audit commended FBO and its project team for substantial accomplishments in an exceedingly difficult working environment. While delays in construction were found attributable mainly to the Soviets, the inspectors identified areas where project methods could be improved:

- Changing security requirements had caused alterations to design and to operating methods, leading to unanticipated costs and toward possible claims. The audit recommended improved coordination between FBO and the Office of Security.

- Some one-of-a-kind documents were filed only in

project offices in Moscow. The audit recommended systematic preservation of project documents that could become important in the event of claims.

- Specific recommendations were made to improve the project's financial systems and controls, to alert the Department earlier in the event of cost overruns.

Conduct of relations inspection teams reported a number of specific foreign buildings program issues, including the following:

- Inspectors questioned the wisdom of proceeding with plans by FBO for improving a particular embassy office building, at considerable cost, when the country situation and the wooden structure of the building strongly indicated that an alternative site would better serve U.S. interests in the long run. [The mission has initiated a search for a viable alternative to further investment in the existing chancery.]

- One major mission with large property responsibilities began using FBO's Preventive Maintenance Automated System (PMAS), but cancelled the contract for lack of personnel to operate the system. In view of its evident potential for long term savings, inspectors recommended the necessary current allocation of resources.

- At another large mission, inspectors noted the cost of a contract for the post's use of PMAS ($30-40,000 per year). In the inspectors' on-the-spot judgment, the post was capable of using its installed minicomputer system to operate this program much more economically. They recommended that the post initiate this change and that the Department review comparative methods and costs from a systemic point of view.

- Inspectors noted a case of costly litigation between the U.S. Government and the owner of a leased chancery abroad, lasting over five years. To avert similar entanglements under foreign legal doctrines, they recommended that the Department formally require that all post contracts for lease/purchase of real property be reviewed by a local attorney and that results be reported to the

Department. [FBO is considering the matter on a worldwide basis.]

- Inspectors found a post negotiating for purchase of a property valued at $884,000, to be used by U.S. Marine security guards. The inspectors judged that existing rented quarters were more appropriate and much less expensive, if somewhat less conveniently located. [The post subsequently reported it had dropped negotiations.]

Overtime

Responding to pressing foreign policy demands, including those posed by international crises and terrorism, very large amounts of overtime are worked at home and abroad by Department of State and Foreign Service personnel who are not paid for extra time worked. Their efforts, however, generate extra needs for support by employees entitled to overtime, especially communicators and other support personnel. Overtime in the Department has steadily grown, costing almost $15 million in FY 1981.

An audit found that attention given to the control of overtime was uneven. Bureaus and offices that had applied controls carefully and had seriously examined alternatives to overtime were able to show reductions in overtime costs. In other comparable bureaus or offices, there was little management level attention. Fraud did not appear to be a significant factor, though a few cases of fraud were noted where controls had been lax. High incidence of overtime in certain areas, however, raised issues of management including concern for health.

The audit recommended eleven specific ways to improve the effectiveness of controls, especially in the field of budgeting and financial management but also in personnel administration. For example, in emergencies supervisors should be limited to after-the-fact approval of no more than eight hours overtime per employee per pay period, with retroactive approval required by an authorizing officer. Certifying officers should verify that approval documents agree with data on time and attendance cards.

[A servicewide notice on overtime management was circulated in June 1982, and many of these recommendations have been incorporated in Departmental regulations and procedures.]

Management of Emergency and Year-End Funding

Inspectors found one regional bureau of the Department excessively prone to holding funds in reserve to meet

emergencies. The bureau thus made a practice of releasing unused "extra" funds to its posts, thereby encouraging year-end spending that could be wasteful unless well planned and controlled. The inspectors recommended a policy of maximum distribution of funds to the posts, maintaining minimal reserves. The bureau's practice was harmful to effective planning and operations on the part of the posts and was sometimes inconsistent. [The bureau has reserved its position on the handling of emergencies, but has stated its intention to plan minimal reserves. When it makes fourth-quarter budget calls to posts, the bureau has stated its intention to respond to posts that most clearly plan and justify their expenditures.]

Inspectors continued to find evidence of the problem. A conduct of relations inspection team in the same bureau's region reported an embassy warehouse filled with large quantities of new appliances and furniture, far beyond the post's immediate needs. Late in FY 1981, the post had placed over $700,000 in orders, most of which the inspectors considered to be unjustified by any measure. [Pursuant to recommendations, the post has notified neighboring missions that excess appliances and furniture are available to meet bona fide needs.]

Various devices used by posts to circumvent year-end funding limitations were occasionally found by inspectors in different regions. In one case of clearly improper documentation, a post general services unit placed a $15,000 provisional order with a U.S. vendor for items described in unrealistic terms with apparent intent to cancel and to reuse the funds in the new fiscal year whenever a need could be identified. The inspectors recommended that the order be canceled and the funds reported to the Department for reprogramming.

Working Capital Fund

A financial management audit evaluated financial operations of the Department's Working Capital Fund (WCF), established in 1964 to develop an improved method of managing, financing, and accounting for common administrative services.

The audit found excessive errors in the fund's financial statements, weakening their utility for management purposes. To improve its cash position at the end of FY 1981, the WCF manager had halted all payments to vendors for a period of five weeks. [The manager agreed with the inspectors that this practice was improper and should not be repeated.]

The audit commented on the need for a comprehensive internal review of the fund's financial management procedures to be conducted by the fund's manager and by the Comptroller's Office

of Financial Operations. The audit also made 18 specific recommendations to correct identified deficiencies. [Most of these recommendations have been implemented.]

The WCF uses numerous rates, requiring periodic adjustment, to bill its customers for recovery of expenses. The audit found that some rates resulted in excessive profits and others in substantial losses. In calendar years 1981 and 1982, no rate studies had been performed. [Pursuant to audit recommendations, the WCF manager has established a schedule of studies, several of which have been completed.]

In view of the foregoing problems, the audit recommended -- as an interim measure -- that the Department's new responsibilities under the Foreign Missions Act of 1982 be conducted with separate financial management and accounting records and should not be served by the WCF as planned. The Department agreed and made a separate arrangement.

Alternate Career Planning Program

A management audit addressed the Department's arrangements for outplacement assistance to its officers and employees. Since 1979, this function has been almost entirely in the hands of a contractor. The audit found that, though the contractor had delivered the prescribed services, the program was not meeting the Department's or the employees' needs and was costly as compared to results.

The audit recommended that the Department reestablish a small in-house alternate career unit in its personnel management structure; discontinue the existing contract and consider alternative contractual supplements to the program; limit more strictly the payment of salary to participants; and explore establishment of joint outplacement services with the Agency for International Development and the U.S. Information Agency.

Contracts for Consulting Services

With regard to administration of non-personal service contracts for advisory services on matters of foreign policy, inspectors recommended specific steps to ensure adherence to Department of State procurement regulations. In instances involving U.S. policy on the law of the sea, inspectors found that a contractor had substantially exceeded costs and advisory roles set forth by contract, thereby raising questions of propriety. [The bureau concerned and the Office of Supply, Transportation, and Procurement agreed to the preventive procedures recommended by inspectors. By ensuring adherence to

limitations contained in contracts of this nature, these procedures should guard against recurrence.]

3. Recommendations Made for Improved Effectiveness and Efficiency

In reviewing Departmental bureaus primarily concerned with formulation and implementation of foreign policy, inspectors recommended various procedural ways in which new leadership could strengthen and broaden inputs and involvement while ensuring full coordination of actions to implement policy decisions. Where appropriate, they recommended increased recourse to decentralization and to delegation of authority concerning official messages, as methods for achieving more timely conclusion of policy related processes.

> For example, inspectors recommended to one bureau earlier engagement of its country expertise in development assistance allocations by the Agency for International Development (AID) as well as in the funding of economic support programs. The bureau agreed and stressed this point in a seminar for its country officers on roles of functional offices in the Department and in other agencies. Two of the bureau's deputy assistant secretaries now meet weekly with AID's assistant administrator for the region, involving country desk officers as appropriate.

To improve dialogue of regional bureaus with the field, inspectors recommended methods such as more frequent use of group conferences with chiefs of mission and more regular and intensive use of informal cables from the bureaus.

> A method used by one bureau to circulate policy related information, however, was found to be less than cost effective. The method consists of an in-house news clipping service. Because of unusually broad external distribution, reproduction costs for this service had reached $70,000 per year, and postal charges were substantial. Pursuant to inspectors' recommendations, the Department reviewed the matter but found a continuing need for circulation of the clippings and also for some external distribution. The bureau, nevertheless, cut back on volume and pruned the list of recipients, cutting the annual cost by over $30,000.

In domestic as in overseas inspections, rigorous assessments

were made of needs for positions and of their utilization. Where inspectors found organizational patterns that no longer corresponded to current policy priorities, they recommended ways to organize more efficiently or to achieve an improved span of attention to important current issues.

> In one bureau, recommendations for organizational changes, if fully implemented, would result in a net reduction of 31 positions. The bureau has not agreed on all of the organizational issues. Nevertheless, actions were taken to abolish 19 positions. Four more are under close scrutiny.

Congressional Relations

A management audit estimated that the Department of State devotes at least 184 work-years to congressional relations (excluding work at posts abroad), reflecting the greatly increased congressional interest in foreign relations. Thirty-five full-time positions in this function are located in the Office of the Assistant Secretary for Congressional Relations.

To improve the quality and coordination of the congressional liaison function, the audit recommended measures to strengthen the Office's involvement with the Department's bureaus and other operating units. To enhance the effectiveness of administrative support to the Office, the inspectors recommended prompt transfer of responsibility to the Executive Director of the Department's central management area.

Commenting on the concurrent work of a special Departmental team that had recommended centralizing the processing of all congressional mail in the Office of the Assistant Secretary, the audit recommended specific resource decisions to ensure that central processing and control would function effectively.

Refugee Relief and Resettlement Program

A compliance followup review of a previous management audit of assistance to refugees (see pages 26-29 of the annual report for 1981) noted substantial progress made by the Department's Bureau for Refugee Programs (RP) in implementing recommended actions. Results included a firm organizational and personnel structure in the bureau and markedly more orderly operating procedures. The bureau was also giving persistent attention to achieving resource savings in various program operations. For example, it had introduced new methods for transfer of contributions to the Inter-Governmental Committee for Migration (ICM) and to the U.N. Relief and Works Agency for Palestinian

Refugees (UNRWA) that should result in significant interest savings to the U.S. Treasury. As pursued and monitored by the bureau, ICM's increased collections of repayments of travel loans made to individual refugees were significantly reducing the need for new U.S. contributions to the travel loan program (for the magnitudes involved, see Subsection E 2 below). More disciplined use of telex facilities by the American Council for Voluntary Agencies, financed by RP, resulted in annual cost savings of over $20,000.

In addition, certain program grants were audited in 1982 as part of the Inspector General's continuing attention to activities under the Department's appropriation for Migration and Refugee Assistance. For example, with respect to grant agreements made with the International Rescue Committee for refugee operations in Thailand, where the inflow of refugees had declined, an audit recommended measures to achieve economies. These included reductions in Thai staff of the joint voluntary agency in Bangkok [a reduction of 25 percent was subsequently reported]; confining a microfiching operation costing over $100,000 per year to documents clearly needed for specified purposes [RP agreed and initiated a policy for limited retention of pertinent records]; and rationalizing a costly minicomputer operation in which the inspectors judged that one trained systems manager could do the work assigned to four American employees.

Conduct of relations inspection teams examined refugee assistance functions at a number of posts in that region, taking declining workloads into account. They concluded that RP should promptly reduce or eliminate refugee program staff and contract costs at two of the inspected posts. [The bureau abolished the refugee section at one of these posts in September 1982.]

Recruitment and Employment of Personnel

A compliance followup review of a management audit performed in this area in 1981 (see pages 40-41 of the previous annual report) verified continuing attention by the Department's Bureau of Personnel to the issues raised by that audit, completing or pursuing many recommended actions over the ensuing period of 18 months. These actions were found to be contributing to the efficiency of the personnel management functions reviewed. Of particular interest for the future of the Foreign Service was the recommended "demographic" survey of trends among persons engaged or interested in Foreign Service duties. Under auspices of the reconstituted Board of Examiners for the Foreign Service, the survey is being conducted by a contractor, with completion of the study expected in the fall of 1983.

With respect to delays in appointing new employees due to the need for security background investigations, the Department's Office of Security took an important action in 1982 by contracting with the Office of Personnel Management for the conduct of routine investigations of this nature. This has helped alleviate other problems of priority in the security function, but has not measurably reduced the typical periods needed for security clearance of new employees. Many prime applicants are still being lost to other employers.

Support to The Asia Foundation

A management audit reviewed financial support to The Asia Foundation, a contribution which amounts to about half the Foundation's annual program budget. This was the first audit since the long standing "core" grant from the U.S. Government to this institution was moved out of the foreign assistance budget in 1980 and into the Department of State's appropriations.

The audit found the Foundation's projects effectively serving U.S. foreign policy interests in situations where direct U.S. Government assistance would be inappropriate or not adaptable for quick responses to opportunities. The inspectors considered, however, that some subgrants could appropriately and advantageously be steered away from activities addressing basic human needs and toward institutional and leadership development.

The inspectors called attention to adverse effects within the Foundation of continuing uncertainty as to the availability and source of U.S. Government assistance. This was causing program management problems that diverted Foundation leadership, to some degree, from efforts to raise funds from private sources. A stable source of governmental funding would promote efficiency in several respects, including reductions in overhead.

The Asia Foundation's liaison with the Department and with posts in Asia on program matters was found to be useful but open to improvements. For example, the audit recommended reports of consultation in the field to enhance the value of consultations in the Department. Also recommended was a Departmental policy document outlining mutual interests and purposes of the Foundation's program and guiding posts on the relationship they are expected to maintain regarding Foundation activities in their host countries.

Though antiquated and in need of updating, the Foundation's accounting system was found to produce accurate results.

Management of Telecommunication Capabilities

In their review of worldwide telecommunication networks managed by the Department's Office of Communications, inspectors expressed their opinion that it is time for the Department to develop what many international corporations already possess: compatible worldwide systems for transmission of messages and also of data for processing. They recommended that the Bureau of Administration direct three of its elements to establish and implement the necessary standards. The bureau has initiated work on standards.

Overseas Schools Assistance Program

A management audit found this program generally successful, with the Department's Office of Overseas Schools performing functions essential to the welfare of Foreign Service posts and to some 7,000 dependents involved. To enhance the effectiveness of the program, the audit recommended a definitive, senior level Departmental guidance on post relationships with independent international schools abroad. The Department agreed and a circular guidance was prepared. The inspectors also recommended revival of formal cooperation, for example by quarterly meetings, between the Office of Overseas Schools and the Department of Defense Office of Dependents Schools (DODDS). With a budget about 80 times as large, DODDS possesses considerable and current expertise on educational problems abroad and on the administration of grants and contracts. The Office of Overseas Schools agreed and has taken steps toward more structured cooperation.

D. Relationship of Inspection and Audit Program to Management Improvements

The Office of the Inspector General continued in 1982 to target and schedule inspections and audits in a pattern independent of areas of current emphasis on the part of central Department management. There was extensive interaction with management nevertheless, both in the detailed process of resolving inspectors' recommendations and as management pursued major lines of action prompted by inspection and audit findings summarized in the two previous annual reports. Procedures involving monitoring, advice, and review by Inspector General activities continued to contribute to this interaction. The most notable fields of interaction in 1982 are summarized here.

To remedy administrative deficiencies in the field which had been the subject of numerous inspection reports, the Under Secretary for Management pursued findings of his own task force on the subject with a series of corrective actions taken in

1982. He issued a directive that no officer would be permitted to encumber an administrative position abroad without appropriate training or field experience. The Director General of the Foreign Service issued minimum training requirements for administrative officers in various categories. The Foreign Service Institute strengthened its administrative training program, adding new segments to some of the courses and responding to increases in enrollment. The Bureau of Personnel reexamined the assignments process for administrative personnel along with the grade structure of administrative sections of posts which had suffered from lack of experienced administrative personnel. Meanwhile, inspection teams continued to report on the deficiencies they found in the field as the corrective process began to take effect. A management audit was scheduled for early 1983 to cover the personnel assignments function.

Weak administration of contracts and procurement in the field was also the subject of corrective lines of action spurred by central Departmental management. More intensive and explicit guidances were issued in 1982 on contracting and procurement. Having secured approval of the Office of Management and Budget for a new general approach to contracting for support services needed to operate posts abroad, Departmental management has been testing new procedures at selected missions. Once it is established, the new system should relieve posts in problematic labor markets from dilemmas such as finding themselves obliged to contract for labor services with their own employee welfare and recreation associations. Inspection teams continued to report deficiencies in this area which they found in 1982 and will monitor results of improvements in the system as they develop.

The Department's program for strengthening internal controls, led by the Comptroller, made progress during the year on matters such as vulnerability assessments and the development of more modern control systems. Of notable importance in this program is the prospective automated financial management system for the development of which the Department awarded a contract in 1982. The system is being installed and tested at one of the largest missions abroad. The Office of the Inspector General played advisory roles in this program and will continue to monitor developments. Meanwhile, all inspections and audits continued to pay close attention to controls in each operation reviewed and to test their adequacy.

E. Compliance with Inspectors' Recommendations

1. Followup System and Results

The compliance followup system described in the previous

annual report, as recast a short time previously, was in place in essentially the same form throughout 1982. Some adjustments were made in instructions to inspected units and in report distribution procedures because occasional cases of misunderstanding had led to delays in responding to recommendations. Generally, the system has been effective in obtaining early resolution of inspection and audit recommendations.

Six formal Compliance Followup Reviews were performed on short notice during the year. Once again this procedure proved to be valuable, adding extra dimensions to the process of compliance.

As of the end of 1982, the compliance process had been used to resolve 3,227 (91%) of the 3,552 recommendations to which responses were due in 1982. Thus, responses to 325 recommendations (9%) were inadequate, overdue, or unacceptable as of the end of the year. However, most of these were well within the six-month statutory time frame for resolution. The following are results in tabular form:

CATEGORY*	1	2	3	4	TOTAL
NO. OF RECOMMENDATIONS	2,677	550	308	17	3,552
PERCENTAGE OF TOTAL	75%	16%	9%	Less than 1%	100%

*Categories of Status

1. Closed
2. Resolved (acceptable degrees of compliance under way)
3. Unresolved (6-month limit not yet reached)
4. Unresolved (6-month limit expired)

All but two of the 17 overdue recommendations noted in Category 4 above were resolved early in 1983. The remaining two, involving a single issue, were resolved in principle at top management level in 1982, although implementing actions remained under discussion.

2. Potential Economies and Savings

The previous annual report noted, on page 47, that 15 reports of audit with monetary recommendations were issued in 1981. Five of these reports were on internal operations and concerned either savings or cost avoidance opportunities totaling $3.6 million. The remaining 10 reports with monetary

recommendations concerned external audits of contractors and grantees. These reports questioned costs incurred or contained in price proposals amounting to $595,000. All of these reports have been resolved.

During 1982 the Inspector General issued 16 audit reports containing recommendations having quantifiable results. Seven of these reports were on operations or programs funded by the Department of State and recommended actions which would result in cost savings, cost avoidance, or improved use of program resources amounting to $3.3 million, if fully implemented. The nine remaining reports with monetary recommendations concerned external audits of contractors and grantees. Four of these external reports questioned costs contained in price proposals of $127,864, and five questioned incurred costs of $1 million. Two of the nine external reports remained open at the end of the year, pending completion of negotiations with contractors and grantees.

The remaining economies, largely in terms of improved use of program resources, would result from actions recommended in inspection reports.

Telephone Usage and Associated Costs

The previous annual report described, on pages 38-39, management audit recommendations designed to strengthen central management of telephone usage. Departmental management agreed with most recommendations, for estimated annual savings of $440,000. Initial emphasis was on increased control over long distance calls and on maximum recourse to the Federal Telecommunications System intercity voice network.

Collection of Resettlement Loans

The previous annual report noted, on page 27, that improvements were needed in collection of repayments on transportation loans made by the Inter-Governmental Committee for Migration to refugees for their resettlement. Actions taken have resulted in collections for 1982 of over $8.8 million. This represents an increase of about $2.9 million over 1981 and $7.4 million over 1980.

3. Significant Corrective Actions Not Yet Completed

Corrective action had not been completed at the end of 1982 on inspectors' recommendations of special importance in the following areas summarized in previous reports:

- Management of Foreign Service National Work Porce (page 48 of 1981 annual report)

  Progress made by the Department and the nature of continuing problems are summarized in Subsection B 2 above. If the Department is to achieve the comprehensive management framework for Foreign Service National employees recommended by inspectors in 1980, more should be done with regard to career development, incentives, and other important matters.

- Consular Regulations (page 31 of 1981 annual report)

  Despite extensive preparatory work, the Department's Bureau of Consular Affairs still needs to complete and to issue updated codes of consular regulations contained in the Foreign Affairs Manual.

On certain other matters, the Department took important corrective actions in 1982 or earlier, but current inspections and audits showed significant needs for effective followthrough:

- A fully effective personnel assignments process, to provide difficult posts with well-prepared officers in timely fashion. (Pages 11 and 48 of 1981 report)

- Fully controlled and rationally managed foreign buildings operations, as an improved information based is achieved. (Pages 15-16 of 1981 report)

- Consistent maintenance of property control and other systems at posts, as personnel are reassigned. (Page 20 of 1980 report)

- Timely completion of public access control and other programs for physical security of posts; prompter and fuller responses to surveys by regional security officers. (Pages 20-21 of 1980 report, page 16 of 1981 report)

- Completion of contingency plans for all three Regional Administrative Management Centers abroad. (Page 35 of 1981 report)

- Resolution of an unclear delineation of authority over U.S. Minor Defense Offices in Europe and

certain specialized military offices abroad. Department of State proposals remain without responses. (Page 24 of 1981 report)

F. Cooperation with Broader Efforts to Promote Integrity and Efficiency

During the year, the Inspector General and his staff continued to participate in the activities of the President's Council on Integrity and Efficiency, responding to the opportunities that its committees offered to inspectors general to develop solutions to common problems. Of particular interest to the Department of State's inspectors were the Council's increased emphasis on collaboration between inspectors general and agency managements, improved collection and compilation of statistics, and preventive approaches to problems of waste, fraud, and mismanagement.

Joint reviews were carried out with a number of agencies. Notable were a joint review with the Defense Intelligence Agency of a terrorist incident abroad; a joint investigation with the Social Security Administration, the Veterans Administration, and the Department of Labor of possible fraud and malfeasance in a Federal benefits unit at an overseas post; a joint investigation with the Veterans Administration of a fraudulent educational benefits claim; and a joint audit with the Canadian Auditor General of the operations of the International Joint Commission at Windsor, Ontario.

Members of the Office of the Inspector General participated in the activities of the Federal Audit Executives Council and the Federal Law Enforcement Agencies Association.

Formal followup of General Accounting Office recommendations accepted by the Department of State, begun in the latter part of 1981, continued throughout the year with good results and was strengthened by improved liaison with the Department's GAO Liaison Officer.

III. MATTERS INVOLVING FRAUD AND ABUSE

In 1982, the first full calendar year of investigations under auspices of the Inspector General, the pace of this activity markedly increased.

In response to the Inspector General's expressed concern over the quality and timeliness of investigative reporting, the Department's Office of Security agreed to take a number of steps which should result in significant improvements in the support it renders to the Inspector General's Office of Investigations. These steps include a reorganization and consolidation of criminal investigative functions into one division, increased staffing, preparation of a criminal investigations manual, and better training of its officers in the area of white collar crime. By the end of the year, the reorganization was accomplished, augmentation of staffing was partially complete, and plans for professional education and training were being formulated. It remains to be seen whether these measures, as undertaken or programmed, will fully meet the Inspector General's needs in fulfilling his statutory mandate. The Office of Investigations will continue to monitor developments and will work with the Office of Security, identifying areas where additional improvements can be made.

As reported last year, the Inspector General's Office of Investigations opened 176 investigations in 1981. This figure represented, in the main, the results of transfer and assumption of investigative responsibility for certain active cases then held by the Office of Security, some of which dated back to 1979. In calendar year 1982, the Inspector General opened an additional 169 new investigations. More significantly, the number of cases closed more than doubled, successful prosecutions of Department of State and Foreign Service personnel increased from one to four, and administrative disciplinary actions increased by 50 percent.

Two joint investigative efforts were begun during the year. One, completed with the cooperation and assistance of the Veterans Administration, resulted in conviction of a Department of State employee who was subsequently sentenced in 1983. A second joint inquiry involving the Department, the Social Security Administration, the Veterans Administration, and the Department of Labor concerned possible fraudulent claims processed through a Federal Benefits Unit at a post abroad. Final disposition of this investigation is pending the results of medical review of claims and the reexamination of a number of claimants.

A. Preventive Measures

Investigations on behalf of the Inspector General are conducted and concluded in a manner designed to encourage prevention of recurrence. Accordingly, the Office of Investigations has continued to prepare analyses of closed investigations indicating various modus operandi, developing trends and patterns, and systemic weaknesses which may have contributed to malfeasant activities. To assist in this endeavor, each investigator submits a separate commentary, noting causal factors and recommended corrective action, which accompanies the report of investigation. These assessments are shared with the Bureau of Consular Affairs for use in its Consular Anti-Fraud Program; with the Foreign Service Institute for training purposes; and with management officers of the Department, according to the specifics of the case.

The Office of Investigations has contributed to the Inspector General's more general preventive program for employee and supervisory awareness. Several cases concluded in 1982 were publicized in summary articles in the Department's monthly magazine State, which has a broad servicewide readership. The Office also contributed to the flow of new official preventive guidances to all posts and Departmental units. One result has been a notable increase in information reported via the IG Hotline and to members of inspection teams.

B. Statistical Summary of Investigations

1. Allegations Received in 1982: 239

Sources

IG Hotline	35
Inspectors	22
Office of Security	65
Others (Bureau and post managements, referrals from other agencies)	117
	239

Categories

Violation of public trust	138
Misconduct	24
Prohibited or abusive personnel practices	11
Deficient controls or systems	66
	239

Disposition

Referred to Assistant IG for Audits	22
Referred to inspections	3
Other referrals	15
Not meriting investigation	30
Pursued by investigation	169
	239

2. Investigative Operations, 1982

Pending, 12/31/81	142
Opened	169
Reopened	1
Closed	185
Pending, 12/31/82	127

C. Prosecution and Disciplinary Action

1. Referrals to Department of Justice

As of the end of 1981, seven referrals were pending with the Department of Justice. Eleven additional referrals were made during 1982. Of these referrals, one was cancelled; seven were declined; four were successfully prosecuted; three were accepted, with prosecution pending; and two were awaiting a decision at the end of the year. Thus, four convictions resulted in 1982.

Additionally, an investigation involving a Marine Security Guard at a post abroad was referred to a U.S. military authority. The individual was subsequently convicted by a court martial.

As a result of these actions, recoveries of $35,033.35 were obtained and fines of $13,050 were assessed.

2. Referrals to Foreign Authorities

Four Foreign Service National employees, two of them charged with embezzlement, one with theft, and one with false claims (defrauding an employer), were referred to host

government judicial authorities. Three were accepted for prosecution and one was declined.

Foreign police and judicial authorities have been receptive to requests for cooperation. However, differing judicial systems and criminal statutes, coupled with problems of diplomatic immunity and foreign policy considerations, pose unusual investigative problems which must be addressed on an individual basis.

3. Administrative Disciplinary Action

Referrals for administrative disciplinary action resulted in two early retirements, three suspensions, one removal from the promotion list, and five actions of lesser severity. Two Americans and three Foreign Service National employees resigned while under investigation. Investigations at posts abroad also resulted in the termination of 18 Foreign Service National employees.

Most of the completed cases occurred in functional areas previously identified as vulnerable, i.e., general services involving supply, procurement, and maintenance; fiscal operations and related claims and vouchers; and visa operations with opportunities for consular malfeasance.

Thus, one assistant general services officer was convicted of stealing U.S. Government property while at a post in Africa. A budget and fiscal officer stationed in South America pleaded guilty to obtaining travel reimbursement under false pretenses. A Departmental clerk-typist was caught cheating the Government on overtime claims, taxi fares, and office purchases. A consular officer was convicted for accepting money and visa applications from a New York visa broker and for failure to conduct the visa process in an honest and impartial manner, free from corruption and improper influence. One Departmental employee was convicted for an offense unusual for the Department of State: he made false statements and fabricated a document which led to the Veterans Administration's paying for his airplane pilot training.

The Inspector General and his Office of Investigations examined with particular care the eleven allegations (see table above) concerning prohibited or abusive personnel practices described in Section 105 of the Foreign Service Act. In one case in which an employee felt he had suffered reprisals in the assignment process for providing information, the Inspector General monitored the matter through a satisfactory transfer and reassignment.

D. Particularly Serious or Flagrant Matters

For purposes of reporting required by Section 209(d)(3) of the Foreign Service Act of 1980, the Inspector General applies the following definitions of "particularly serious or flagrant problems, abuses, or deficiencies relating to the administration of activities and operations of Foreign Service posts or bureaus or other operating units of the Department of State":

1. A high level official of the Department of State or the Foreign Service becomes involved in a serious or flagrant irregularity.

2. Management level officials fail to address in timely fashion, or continue to ignore, a particularly egregious problem of fraud or waste.

3. Deficiencies, fraud, or waste jeopardize the viability and funding of programs administered by the Department of State.

Under these definitions, no matters arose in 1982 of a nature requiring special reports to be transmitted by the Secretary of State to specified committees of the Congress.

IV. EMPHASIS AND PLANNING FOR 1983

The outlook for Inspector General activities is for continuation of an environment where essential interests are shared with management but where the Inspector General carries out his responsibilities for the inspection and audit universe by independent decisions on scope and schedules. Activities will consist primarily of positive and forward-looking reviews. The focus will be on timely and useful assessments that lead toward improvements. Each activity will continue to stress prevention and safeguards against deficiencies which could be wasteful or abusive.

While planning of Inspector General activities will continue to be based on the statutory requirement to inspect and audit the administration of activities and operations of each Foreign Service post and each bureau and other operating unit of the Department of State at least every five years, increased attention will be given to certain priorities under which many functions, posts, or units may be examined more frequently. These priorities include the following:

- Closer attention to operations or units involved in the support of key foreign policy interests and objectives.

- More frequent examination of functions, posts, or units involving large resource commitments, significant vulnerabilities, or opportunities for achieving substantially increased economy or efficiency.

- More reviews in depth of functions or issues with broad systemic implications.

Resources of the Office of the Inspector General were sufficient in 1982 to conduct the current level of operations but hardly adequate to achieve inspection and audit coverage in fullest depth. With the additional positions requested, the Office plans to achieve greater coverage and depth by allocating more resources to all three of its statutory functions. Inspection activity would be augmented. Audit capability would be increased. In-house investigative capability would be expanded, enabling the Office to investigate and close cases more quickly, minimizing backlogs.

The Office is developing plans to initiate use of automation to store and retrieve detailed program information, analyze inspection and audit results more effectively, and improve the compliance and followup system. In addition, the Office hopes

to explore the use of advanced technology for audit purposes. These improvements will entail additional needs for training, both to utilize automated data processing internally and to evaluate new operations of the Department and the Foreign Service more effectively.

INSPECTOR GENERAL
of the
DEPARTMENT OF STATE AND FOREIGN SERVICE

AUDITS COMPLETED IN 1982

1. Grant and Contract Administration and End-Use Monitoring Activities - Bureau of International Narcotics Matters (Management Audit)

2. Overtime Procedures and Practices - Department of State

3. The Asia Foundation (Management Audit of support)

4. *Mail, Pouch, and Courier Operations of the Office of Communications of the Department of State (Management Audit)

5. *Communications Networks and Systems in the Department of State: Development, Operations, Support and Security (Management Audit)

6. The Communications Center Division of the Office of Communications (Management Audit)

7. RP [Bureau for Refugee Programs] Grant Agreement with the International Rescue Committee for Refugee Processing Operations in Thailand

8. RP Grant Agreement with the International Catholic Migration Commission for the Orderly Departure Program

9. Management Information Systems - Office of Foreign Buildings, Bureau of Administration (Management Audit)

10. On request of its Chairman, U.S. Section, International Joint Commission

11. The Office of Overseas Schools (Management Audit)

12. Working Capital Fund (Financial and Management Audit)

13. Alternate Career Planning Program (Management Audit)

* Classified

14. The Department's Congressional Relations Function (Management Audit)

15. Regional Administrative Management Center (RAMC) - Mexico (Management Audit)

16. The Washington Finance Center (Management Audit)

17. Project Management and Contract Administration of the New Embassy Complex - Moscow (Management Audit)

18. Xerox Corporation
Contract Number 2026-636006
(Price Proposal Audit)

19. International Technology Corporation
Contract Number 2039-106290
(Followup Audit)

20. Metropolitan Dade County, Florida
Grant Numbers 000515, 1037-171201
(Final Audit)

21. Dickstein, Shapiro, and Morin
Contract Number 1751-100340
(Final Audit)

22. Price Waterhouse and Company
Contract Number 1068-200259
(Pre-Award Audit)

23. Construction Managers, Inc.
Contract Number 3416-821278
(Final Audit)

24. American Red Cross
Grant Numbers 000603, 1037-120118
(Final Audit)

25. Swiftships, Inc.
Solicitation Number FGA-E-X2376-N
(Price Proposal Audit)

26. Planning Research Corporation
Contract Number 1714-960014
(Final Audit)

27. Brookings Institution
Contract Numbers 1722-7202356, 1722-620050, 1722-920185, 1069-787242
(Final Audit)

28. MRM, Inc.
Contract Numbers 1731-007013, 1731-107014
(Final Audit)

29. Visions Para-Technical
Contract Number 0000-120038
(Interim Audit)

30. National Council for Soviet and East European Research
Contract Number 1724-120189
(Interim Audit)

31. Norshield Company
Contract Number 2042-235070
(Price Proposal Audit)

32. Heery-Farrow Ltd.
Contract Number 3266-921245
(Interim Audit)

33. Serv Air, Inc.
Project Number 0103
(Final Audit)

34. Simpact Associates
Contract Numbers 2039-104127, 2039-104222
(Final Audit)

35. Mosler Safe Company
Contract Number 2042-235116
(Price Proposal)

* U.S. GOVERNMENT PRINTING OFFICE: 1983-381-411:607

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